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SUBJECT: JORDAN'S TOURISM SECTOR LIKELY TO DECREASE IN 2009 TO 2007
REVENUE LEVELS

REF: 07 AMMAN 3159

¶1. (SBU) Summary: Jordan's tourism sector revenues grew 28% in 2008 to a record \$2.97 billion from \$2.31 billion in 2007. While officials had hoped for similar growth in 2009, the industry now expects that revenues may return to their 2007 levels due to the slowing worldwide economy. Business travel and travel by Russian tourists have fallen the fastest. The sector is likely to be further hurt by its high cost structure relative to other destinations and by worldwide trends toward shorter vacations booked with less advance notice. Construction on an additional 10,000 hotel rooms concentrated in the Dead Sea and Aqaba over the next five years, however, remains largely on schedule. End Summary.

2008 Record Year for Tourism Sector Revenues

¶2. (U) Jordan's tourism sector revenues grew 28% in 2008 to a record \$2.97 billion from \$2.31 billion in 2007. The number of travelers grew by 8.8% from 6.5 million in 2007 to 7.1 million in 2008. These tourism revenues equaled 14.7% of GDP in 2008. An Ernst and Young Middle East Hotel Benchmark survey found that average hotel occupancy rates increased from 63% in 2007 to 66% in 2008 and the average room rate increased from \$116 in 2007 to \$132 in 2008. At a USAID-funded tourism conference on March 4, Minister of Tourism Maha Khatib expressed hope that annual tourism revenues would increase an additional 25% or \$500 million in 2009.

Revenue Projections Unknown After May 2009

¶3. (SBU) Such dramatic increases are no longer expected and industry officials while wishful that 2009 revenue levels will match 2008 figures, now predict that revenues may fall back to the 2007 level. Such declines are primarily attributed to the worldwide economic slowdown. Ministry of Tourism Secretary General Farouk Hadidi said January 2009 revenues were very low because of the Gaza conflict and that while monthly revenues grew from February to April they were still well below 2008 levels. Seham Gammouh, Director of Research for the Jordan Tourism Board (JTB), said that the number of overnight travelers declined 2% in the first three months of 2009 and that revenue numbers had fallen even more steeply. She added that the number of Russian travelers declined 60% because of Russia's seriously ailing economy and that the number of European travelers declined an average 22%. The decline in Russian tourists was viewed as particularly troubling because they generate the most revenue per traveler. Jordan Restaurant Association President Zaid Goussous estimated that restaurant revenues are also down an estimated 10% in 2009.

¶4. (SBU) All interlocutors said that May occupancy rates and revenue projections are very high because of the Pope's visit (May 8-10) and the World Economic Forum (May 15-17). They lamented, however, that

hotel reservations for June and beyond are currently light and difficult to predict. Gammouh estimates that hotel revenues will be down 20% for the first six months of 2009 and that the decline for the second half of the year could be worse. Tourism operators fear that there will be significant cancellations of already-booked travel, and that many people who might have traveled twice a year, will now only travel once because of the economy.

Business Travel Will Be Impacted Most

15. (SBU) Tourism officials expect particularly steep drops in business, incentive and convention travel -- a sub-sector that has already been hard hit. While Jordan has historically attracted some European conferences, business people appear to be traveling less and staying closer to home. One tourism consultant described a financial services company which cancelled a company sales conference that it had already fully paid for because of its public relations concerns about luxury travel during an economic downturn.

Worldwide Trends Further Challenge Tourism Sector

16. (SBU) Jordan is particularly vulnerable to the global trends of vacationers taking shorter trips and reducing the time between booking vacations and traveling during a recession. A majority of travelers visit Jordan as part of a seven-to-ten day tour of the Holy Land and the distance between sites in Jordan makes it a difficult destination for long weekend get-aways. Hadidi said that historically trips to Jordan have been booked twelve months in advance but that travelers are now nervous and "waiting to see what

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happens." Tour operators are seeing customers shorten their trips from ten days to seven, and many customers are waiting for prices to fall further before booking.

Jordan Remains an Expensive Destination

17. (SBU) Further impacting Jordan's tourism sector is the country's reputation as a comparatively expensive destination with tourist packages of uneven quality. Due to the high cost of hotels, transportation, and guides in Jordan, tour operators are increasingly creating regional tours which include Egypt, Israel, and Lebanon but exclude Jordan. In February, in an effort to lower the cost of package tours and increase the number of travelers, the GOJ reduced hotel taxes from 14% to 8%. Hadidi said that package tours have already fallen in price but other interlocutors disagreed noting that package prices which rose 35% in 2008 because of demand, fuel prices, and inflation have not yet fallen in 2009.

Hotel Construction Mostly on Schedule

18. (SBU) Hotel rooms in Jordan are often expensive because there are insufficient rooms during peak season at many destinations. An additional 10,000 hotel rooms are planned for construction over the next five years in Jordan primarily five-star hotels in Aqaba, the Dead Sea, Petra, and Amman. No hotel construction projects are known to have been cancelled because of the downward economy but some have been slightly delayed or changed. Ibrahim Saba, Sales Manager for a newly opened boutique hotel, said that the opening of a new Crown Plaza hotel at the Dead Sea has been delayed for several months because of the economy and not because of the publically-stated construction delays. Hadidi explained that while some residential projects in the resort areas of Aqaba and the Dead Sea have been put on-hold because of slow sales, hotel projects are all continuing. He said three residential projects have also been re-categorized as hotel-apartments rather than as strictly apartments to better match demand.

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